MOSSEL BAY MUNICIPALITY

DEVELOPMENT CHARGES POLICY

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1. BACKGROUND

1.1 Mossel Bay municipality has developed at a rapid rate in recent years and continues to receive numerous proposals for new development, which places increasing strain on limited existing bulk infrastructure. The municipality, typical of many in South Africa, lacks the resources to install new bulk infrastructure for all proposed new developments, and it has therefore been deemed fair that in order to facilitate development within a municipal area, municipal authorities have the right to request a payment towards the installation of bulk infrastructure from developers, referred to as Development Charges (DC's).

1.2 The municipality compiled a policy for the regulation of these charges in 2009. Since this date there has been a number of legislative changes, as well as guidelines published by both National and Provincial departments. This includes the development of a Provincial DC calculator, a tool to assist municipalities in the calculation of fair DC's. The municipality has therefore reviewed its previous policy to ensure compliance with the latest guidelines, as contained in this document.

1.3 This revised policy is based upon the National Treasury, Policy Framework for Municipal DC's, and while it follows the structure of this document, it aims to respond to the specific requirements on Mossel Bay municipality.

1.4 The implementation of the policy will be dependent on the adoption of an enabling bylaw, which has to be drafted and adopted by Council.

1.5 This policy applies to all development applications irrespective of date of approval of the development by Council.

1.6 This policy will also apply to subsequent changes and extensions to planning approvals previously granted.

1.7 The development contributions shall be payable by the Developer at the time application is made to the Municipality for a rates clearance certificate in terms of the Local Government: Municipal Systems Act, No. 32 of 2000 to permit a property or unit to be transferred to the purchaser, or at an earlier date as preferred by the Developer.

1.8 The contributions payable in respect of bulk services contributions shall be such amounts as may be in force at the time in terms of the Tariff List approved by Council, when application for transfer of a property or unit is made, or if paid earlier by the Developer, at the time of payment, as the case may be.

2. LEGISLATIVE FRAMEWORK

2.1 DC's are an integral part of the broader legal framework for urban land development and municipal finance, as illustrated by the following references to current policy and legislation.

2.2 Policy context

2.2.1 This policy is consistent with the Draft Policy Framework for Municipal DC's (Version 7) issued by the National Treasury in 2011, and which reflects a broadly shared understanding of the role, purpose and legal nature of DC's across the country. An amendment to the National Municipal Fiscal Powers and Functions Act, 12 of 2007, to give legal force to the current final Draft National Policy Framework for Municipal DC's (2011) is anticipated.

2.3 Applicable legislation

2.3.1 DC's are currently provided for in terms of Section 42 of the Land Use Planning Ordinance (LUPO), 15 of 1985. When an approval is granted for a land use change in terms of LUPO, the municipality is empowered to impose conditions in terms of section 42(2). These conditions can include: "the payment of money which is directly related to requirements resulting from the changed land use, in respect of the provision of necessary services to the land concerned.

2.3.2 The new Land Use Planning Act (LUPA) as approved on 31 March 2014 and gazetted on 10 April 2014 will be brought into effect on a date which has yet to be determined by proclamation in the Provincial Gazette. DC's will then be provided for in terms of section 40 of LUPA

2.3.3 The Constitution gives the power to a municipality through the province's legislative power to regulate, concurrently with the national legislature, issues relating to "municipal planning", which includes land use and land development (see Section 104 together with Schedule 4 of the Constitution). National legislation, through Section 75A of the Municipal Systems Act, further empowers a municipality 'to levy and recover fees, charges or tariffs in respect of any function or service of the municipality'.

2.3.4 The enabling planning legislation must, however, also be read with the relevant provisions of national legislation such as Section 11 of the Local Government: Municipal Finance Management Act (MFMA), 56 of 2003, which regulates municipal supply chain management and would be relevant in situations where the municipality agrees to permit a developer to install any engineering infrastructure instead of payment of the applicable DC's.

2.3.5 Although public transport infrastructure is not typically included as one of the engineering services covered by DC's the National Land Transport Act, (Act 5 of 2009), allows a municipality to raise a user charge from "land, buildings or other developments that

generate the movement of passengers, including land or buildings of which the State is the owner, in its area".

2.4 Recent and anticipated changes to the legislation

2.4.1 In April 2014 the provincial legislature of the Western Cape approved the Land Use Planning Act which empowers municipalities to impose DC's.

2.4.2 In line with the new legislative framework under the new provincial legislation, read with the National Spatial Planning and Land Use Management Act, (Act 16 of 2013), ('SPLUMA'), the Municipality intends to draft a municipal planning by-law that will regulate aspects of land and building development management, including the provision of engineering services for land development and the raising of DC's. The Draft National Policy Framework for Municipal DC's (2011) proposes that every municipality have both a DC policy and by-law. The relevant parts of the proposed municipal planning by-law dealing with DC's will satisfy the national requirement for a DC by-law. A separate DC by-law may be considered if further enhancement is required.

2.4.3 In line with the current wording of clause 40 of the Western Cape's Land Use Planning Act the municipality, would be able to impose a condition on the approval of a land development application relating to:

2.4.3.1 The provision of municipal engineering services and infrastructure; or

2.4.3.2 The cession of land or the payment of money.

2.4.4 In the case of a condition requiring the cession of land or payment of money the value or amount of that land or money must be 'a proportional contribution to municipal public expenditure according to the normal need therefore arising from the approval.

2.4.5 Where such condition to provide municipal engineering infrastructure in lieu of payment is imposed, it must be captured in an Engineering Services Agreement concluded between the municipality and the developer before the construction of infrastructure commences (clause 40(8) of the Western Cape Land Use Planning Act).

2.4.6 In addition, section 49 of the national SPLUMA provides that:

2.4.6.1 (1) An applicant is responsible for the provision and installation of internal engineering services.

2.4.6.2 (2) A municipality is responsible for the provision of external engineering services.

2.4.6.3 (3) Where a municipality is not the provider of an engineering service, the applicant must satisfy the municipality that adequate arrangements have been made with the relevant service provider for the provision of that service.

2.4.6.4 (4) An applicant may, in agreement with the municipality or service provider, install any external engineering service instead of payment of the applicable DC's, and the fair and reasonable cost of such external services may be set off against DC's payable.

2.4.6.5 (5) If external engineering services are installed by an applicant instead of payment of DC's, the provision of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), pertaining to procurement and the appointment of contractors on behalf of the municipality does not apply.

3. DEFINITIONS

The terms, acronyms and abbreviations used in the policy are described in the following table.

Term	Definition
"Capacity"	The design capacity or output capability of an infrastructure network or the component part(s) thereof in existence as well as additional capacity that should be created as a result of all development in the municipality over the normal planning period of the organisation, on which the proposed development will measurably impact on.
"c.Ha"	Runoff coefficient per hectare
"Constitution"	The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996);
"Condition of approval"	A condition imposed by the municipality on the approval of a land development application in terms of land use planning legislation.
"Coverage"	The total area of a land unit that may be covered by buildings, expressed as a percentage of the nett erf area of the land unit, as defined in the municipality's zoning bylaw.
"CRC"	Current replacement cost is a measure of replacement value – the cost of replacing an existing asset with a modern asset of equivalent capacity.
"CRT"	A certificate of registered title.
"DC"	Development Charge is a once-off infrastructure access fee imposed by a municipality on a developer as a condition of approval of a land development that will result in an intensification of land use and an increase in the use of or need for municipal engineering services infrastructure.
"DC Calculator"	DC Calculator developed by the Department of Environmental Affairs & Development Planning of the Western Cape Provincial Government, version 2.
"DEADP"	Western Cape Department of Environmental Affairs & Development Planning
"Development"	The changing of land use or of cadastral boundaries in order to intensify the utilisation of land, or the simultaneous changing of both land use and cadastral boundaries in order to intensify the utilisation of the land.
"Developer"	The person, including an organ of state, which may or may not be the owner of the land, applying for permission to develop or change the use of land.
"Early Childhood Development Centre (ECD)"	Any building or premises used for the care of a limited number of children and includes a playgroup, crèche, aftercare, pre-school, nursery school, educare or similar facility;
"Engineering services"	The infrastructure required to supply water, sewerage, electricity, municipal roads, storm water drainage, municipal public transport, solid waste collection and removal required for the purpose of land development.
"Engineering Services Agreement"	An agreement between the developer and the municipality in cases where the developer constructs or installs bulk engineering services in lieu of the payment in full or in part of a Development Charge and in which the parties agree on their respective roles in the construction, installation and financing of infrastructure, including their respective

Term	Definition
	responsibilities for maintenance and upkeep of infrastructure from the date of installation to the date of transfer of the land to another owner.
"External services"	The municipal system outside the boundaries of the development, as described in Appendix A.
"Floor space"	The area of floor which is covered by a slab, roof or projection.
"GLA"	Gross leasable area, is the amount of floor space available to be rented in a commercial property.
"Intensification of land use"	The development of land that requires the provision of additional services infrastructure whether or not that infrastructure is already installed, including but not limited to a change in land use whether through a rezoning or special consent process.
"Internal services"	Infrastructure that falls within the boundary of the development to service that development and which will be transferred to the municipality.
"kg"	Kilogramme = 1000 grams
"kl"	Kilolitre = 1000 litres
"kVa"	Kilo-volt ampere
"Land development application"	Any application to develop or change the use of land, including the sub-division of a property.
"LUPA"	The Western Cape Land Use Planning Act, 2014 (Act 3 of 2014)
"LUPO"	The Land Use Planning Ordinance, 1985 (Ordinance 15 of 1985);
"m^2"	Square metre
"Municipality"	Mossel Bay Municipality
"Municipal service infrastructure"	The provision of essential facilities without which land development cannot or should not take place and includes water, sewerage, electricity, reticulation, roads and storm water and sites for refuse disposal.
"National Framework"	The Policy Framework for Municipal DC's developed by the National Treasury department, version 7.
"Services Agreement"	An agreement between the developer and the municipality in cases where the developer constructs or installs bulk engineering services in lieu of the payment in full or in part
"Service master plans"	High level infrastructure plans prepared by the Municipality to cater for future development. These include, but are not limited to: the Integrated Transport Plan, Electricity Business Plan, Bulk Water and Sanitation Master Plans, storm water Master Plans and Integrated Waste Management Plan; of a Development Charge and in which the parties agree on their respective roles in the construction, installation and financing of infrastructure;
"SPLUMA"	The Spatial Planning and Land Use Planning Act, 2013 (Act 16 of 2013)
"Systems Act"	The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).
"VKT"	Vehicle kilometres travelled

4. GUIDING PRINCIPLES & OBJECTIVES

4.1 The National Framework defines four key principles that support the system of municipal DC's in South Africa, and these are also relevant to the municipality. They are:

4.1.1 Equity and Fairness: DC's should be reasonable, balanced and practical so as to be equitable to all stakeholders. The key function of a system of DC's is to ensure that those who benefit from new infrastructure investment, or who cause off-site impacts, pay their fair share of the associated costs. This implies that:

4.1.1.1 Municipalities should recover from a developer the full and actual costs of infrastructure that results from urban development, such as storm water drainage, or which is necessary for urban growth (e.g. water, electricity, roads).

4.1.1.2 DC's should be closely related to the costs imposed by a development, and are thus not a form of taxation.

4.1.1.3 Costs imposed by new developments can be related both to pre-installed infrastructure resulting from historical investments in excess capacity, and the provision of new infrastructure to meet additional capacity requirements.

4.1.1.4 DC's are not an additional revenue source that should be used to deal with historical backlogs in access to services, such as exist in some historically disadvantaged areas.

4.1.2 Predictability: DC's should be a predictable, legally certain and reliable source of revenue to the municipality for providing the necessary infrastructure. These revenues should thus be treated as a formal commitment by the municipality to provide or upgrade the associated services, and should be clearly and transparently accounted for. It would, however, be unreasonable for poor households to bear these costs, which in any event are already subsidised by national transfers. In order to promote predictability and coordination, particularly in low cost housing developments, the costs associated with municipal infrastructure (i.e. the DC) should still be established before subsidies are applied in a transparent manner to fund the liability.

4.1.3 Spatial and Economic Neutrality: A primary role of a system of DC's is to ensure the timely, sustainable financing of required urban infrastructure. This implies that:

4.1.3.1 They should be determined on identifiable and measurable costs to avoid distortions in the economy and in patterns of spatial development.

4.1.3.2 They should not be used as a spatial planning policy instrument. Inevitably, however, removing the current, implicit subsidies for urban sprawl arising from the under-recovery of DC's would lead to less sprawl.

4.1.3.3 Costs recovered should be dedicated only to the purpose for which they were raised; and

4.1.3.4 Where appropriate, charges should be levied on a sectoral or geographic scale to more accurately approximate costs within a specific impact zone.

4.1.4 Administrative Ease and Uniformity: The determination, calculation and operation of DC's should be administratively simple and transparent. This will necessitate the use of assumptions and models to calculate the DC's.

4.2 The objectives of this policy are to provide a sustainable and equitable framework for the initial financing of municipal infrastructure, based on the benefit principle, and ensure that:

4.2.1 The municipality is able to provide infrastructure in a timely and sufficient manner to support land development;

4.2.2 DC's complement other sources of capital finance available to the municipality.

4.2.3 DC's are managed and calculated in a predictable, fair and transparent manner; and

4.2.4 Unnecessary litigation in the administration of DC's is reduced.

5. APPLICATION OF DEVELOPMENT CHARGES

5.1 The municipality will:

5.1.1 Only impose a DC in terms of this policy supported by relevant services related bylaws.

5.1.2 Update the schedule of costs used for the calculation of DC's on an annual basis in the course of the preparation of its budget estimates.

5.1.3 Use revenues derived from DC's to defray the actual costs associated with the provision of essential engineering services infrastructure to a land development.

5.1.4 Calculate the DC during the assessment of a development application and impose the payment of DC's.

5.2 The municipality will not:

5.2.1 Impose a DC for the provision of infrastructure services that it does not have the authority or intention to provide.

5.2.2 Include the costs of providing this infrastructure in its monthly tariffs for service delivery, when these costs have already been recovered through a DC, although it may still recover the costs of operations and depreciation in such a monthly tariff.

5.2.3 Impose a DC's prior to a developer formally applying for permission to proceed with a development.

5.3 No other authority may approve a land development without seeking the approval of the relevant municipality with respect to:

5.3.1 The availability of municipal infrastructure.

5.3.2 The extent of liability for DC's associated with the development approval.

5.4 A land development application approved by any other authority is still subject to the imposition of a DC by the municipality and may not be regarded as approved until the municipality has determined whether or not to exercise its authority in this regard.

5.5 The municipality is not compelled to impose a DC in respect of any land development proposal if it does not intend to or lacks the capacity to provide associated infrastructure.

5.6 DC's will be triggered by the following types of applications:

5.6.1 Rezoning applications:

5.6.1.1 Rezoning to sub-divisional area or equivalent zoning that enables rezoning and simultaneous subdivision of the land and which is typically required for new development or urban infill development.

5.6.1.2 Rezoning of land from one zone to another in order to change the permitted land uses on the site.

5.6.1.3 Rezoning from one subzone to another in order to increase the permitted floor space.

5.6.2 Subdivision applications, where the number of dwelling units increases as a result of the subdivision, or where the subdivision application results in the increase of floor space or GLA.

5.6.3 Permanent departure applications:

5.6.3.1 Applications to increase the permitted floor space, GLA, number of occupants or number of rooms.

5.6.3.2 Applications to increase permitted coverage.

5.6.4 Consent use applications (in terms of the Zoning Scheme) where the change in land use is deemed by the municipality to result in additional utilisation of infrastructure.

5.6.5 Any application for the amendment of conditions of a previous approval where the condition limited the land use, floor space, GLA or coverage.

5.6.6 Extensions to existing developments, such as, but not limited to, malls and other commercial developments that may have an impact on external services.

6. SCOPE AND EXTENT OF DEVELOPMENT CHARGES

6.1 DC's imposed in terms of this policy are limited to the initial capital costs for new infrastructure and current replacement cost for existing infrastructure associated with essential municipal engineering services, for the following services namely. These are described in more detail in **Appendix A**.

6.1.1 Potable water provision

6.1.2 Sewerage collection and treatment

6.1.3 Electricity distribution

6.1.4 Municipal roads and associated infrastructure

6.1.5 Street lighting

6.1.6 Storm water management

6.1.7 Solid waste disposal (landfills and transit stations)

6.2 DC's do not include:

6.2.1 The costs of providing internal services that are within the boundaries of the development area. These remain the full responsibility of the developer.

6.2.2 The costs of submitting and assessing any development application, which the municipality may recover through application fees.

6.2.3 The costs of any environmental remediation or compensation that may be determined through an environmental impact assessment.

6.3 A DC will only be imposed at the time of approval of a land-use application that alters the intensity of the development.

7. CALCULATION OF DEVELOPMENT CHARGES

7.1 The municipality will use the DC Calculator developed by the Department of Environmental Affairs & Development Planning (DEADP) of the Western Cape Provincial Government. The calculator has been developed based upon the requirements of the National Framework, and the use of this calculator will therefore ensure compliance with this framework by the municipality.

7.2 The following principles will apply to the DC calculations made:

7.2.1 Unless otherwise requested by a developer, based upon actual costs provided by him (see 7.7), the municipal DC shall be calculated to approximate the actual costs of related infrastructure. The approximation of costs must be based on estimated unit costs for each service, provided that these unit costs are determined in relation to:

7.2.1.1 A master or framework plan for each infrastructure sector that identified future infrastructure requirements on the basis of identifiable impact zones (or sub-areas) of the municipality, provided that such plans only need exist for the impact zones in which a DC is to be levied.

7.2.1.2 A comprehensive infrastructure plan that establishes the levels and standards of service, current replacement costs of facilities, depreciation and renewal requirements for each service sector for which a DC will be calculated.

7.2.1.3 The average fixed cost per unit, where fixed cost is equal to the current replacement cost of installing or constructing the existing service.

7.2.1.4 The standard units for the measurement of impact for each service that are provided in Table 1.

Table 1: Impacts assessment units per service type

Service	Factor (s)	Yardstick	Unit of measure
Electricity	Increase in peak capacity requirement per substation zone	After Diversity Maximum Demand (ADMD)	kVa/day
Roads	Increased road capacity required - the 'width' component or 'capacity' component	Increase in vehicle trip generation	VKT
Sanitation	Additional sewerage effluent generated	Average Annual Daily Outflow	kℓ/day
Solid waste	Increase in landfill airspace required	Maximum Rate of Deposition (MRD)	kg per day
Storm water	Increase in the overall quantity and the peak flow rate of the runoff	Runoff coefficient	c
		Area of the development	Ha
Water	Additional consumption per distribution or reservoir zone	Average Annual Daily Demand (AADD)	kℓ/day

7.2.1.5 The future impact of the development application is determined according to standard impacts (per service) that have been calculated for each DC category of land use, as described in **Appendix B**, which in turn are related to the municipality's zoning scheme.

7.2.1.6 Should an application for rezoning not specify the particular land use or extent, the highest possible development impact for that zone shall be charged.

7.2.1.7 If a particular application is based on a combination of uses that correspond to a number of the DC categories listed, the fee for the extent of the development in each category is calculated individually and added together.

7.3 The units costs included in the DC calculator will be used to estimate the replacement costs. The municipality will review and update these unit cost estimates annually, based on escalation index included in the DC Calculator.

7.4 The services to be included in the estimation of costs are described in **Appendix A**. The re-assessment of the unit costs will be done by a suitably qualified engineer in the employ of the municipality, or as appointed by the municipality.

7.5 The municipality will use the DC calculator to calculate a DC proportionate to the impact of the proposed development based upon the following formula: W = (K/E2) – (L/E1), where:

7.5.1 W = DC to be applied for the service

7.5.2 K = Capital cost to provide the service

7.5.3 E2 = System design capacity

7.5.4 L = Outstanding loans for service

7.5.5 E1 = Average daily consumption or usage

7.6 Prior to the determination of the DC liability by the municipality, the developer may request the municipality to calculate that liability in respect of a proposal they have submitted on the basis of actual costs, provided that:

7.6.1 The applicant can demonstrate that exceptional circumstances exist with respect to the proposed development.

7.6.2 All expenses associated with the request shall be borne in full by the developer.

7.6.3 The developer shall appoint, at their own expense, a qualified third party acceptable to the municipality, to undertake such a calculation.

7.6.4 Actual costs evaluated to form part of a DC shall include, where applicable, the cost of land, professional fees, materials, labour, preliminary and general items and any tax liabilities, provided that such costs would have otherwise be borne by the municipality.

8. SUBSIDIES, EXEMPTIONS AND SURCHARGES

8.1 The municipality will seek to:

8.1.1 Minimise the number and value of any subsidies or exemptions it provides for the payment of DC liabilities.

8.1.2 Apply any subsidies, exemption or surcharges in an equitable, transparent and administratively feasible manner.

8.2 The municipality will only provide a subsidy or exemption to the payment of a DC liability on the following basis:

8.2.1 In accordance with this policy framework and bylaws on subsidies and exemptions that is applicable to DC's, based upon:

8.2.1.1 Categories of owners of properties, or categories of properties, for the purpose of granting exemptions, rebates and reductions.

8.2.1.2 Due consideration of the effect of DC's on the poor along with appropriate measures to alleviate the financial burden on them.

8.2.1.3 Due consideration of the effect of DC's on organisations conducting specified public benefit activities and registered in terms of the Income Tax Act for tax reductions because of those activities, in the case of property owned and used by such organisations for those activities.

8.2.1.4 Due consideration of the effect of rates on public service infrastructure.

8.2.1.5 The promotion of local, social and economic development.

8.2.1.6 Identify properties in the municipality that are not subject to DC's.

8.2.2 The full DC liability must be calculated prior to authorising or providing the subsidy or exemption;

8.2.3 The revenue to be forgone for a financial year in relation to all exemptions, rebates and reductions must be projected and reflected in the municipal budget.

8.2.4 Budgetary provision must be made for the realisation of the associated revenue foregone from another realistically available source of revenue.

8.2.5 The value of the subsidy or exemption together with any other payments by the developer or other parties must be at least equal to the calculated DC liability.

8.2.6 The value of subsidies and exemptions provided must be disclosed in the annual financial statements of the municipality.

8.3 The municipality may consider granting an exemption in the following cases:

8.3.1 Rezoning applications to a less intensive zone, i.e. where one land use (primary or consent use) is replaced by a different land use with similar or lesser infrastructure utilisation impacts for all services.

8.3.2 Subdivision applications where no additional development rights are created or which do not result in additional loading onto external infrastructure.

8.3.3 Permanent departure applications for building lines or height or other similar parameters, which do not lead to an intensification of land use.

8.3.4 Temporary departure applications where rights are granted on a temporary basis: provided that,

8.3.4.1 Temporary departures may only be granted if the infrastructure impact of the temporary use is the same or less than the existing use.

8.3.4.2 Cases where the municipality do not have sufficient spare capacity available to accommodate the application for the temporary departure it will not be approved.

8.3.4 Consolidation applications that are not accompanied by rezoning or additional rights application.

8.3.5 Consent use applications which have a similar or lesser impact on infrastructure utilisation than previous rights applicable to the property.

8.3.6 Applications to change land use to one of the following land uses (provided that no additional service connections are required) up to the extent indicated and using the definitions set out in this policy:

8.3.4.3 Early childhood development centre up to 34 children per erf.

8.3.4.4 Home occupation up to 40m2 per erf.

8.3.4.5 Home child care up to six children per erf.

8.3.4.6 House shop up to 40m2 per erf.

8.3.4.7 Second dwelling up to 30m2 per erf.

8.3.4.8 Bed and breakfast establishment up to the first three bedrooms of an existing dwelling.

8.4 The municipality will not grant relief in respect of the payment of a DC to:

8.4.1 A category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, a rebate or a reduction provided for in its DC's policy, or

8.4.2 The owners of properties on an individual basis.

8.5 The municipality will only impose a surcharge on a DC on the following basis:

8.5.1 In terms of an approved municipal bylaws;

8.5.2 Where a proposed development does not fall within the spatial development framework for the municipality and will result in costly services.

8.5.3 Where the surcharge will not materially and unreasonably prejudice national economic policies, economic activities across municipal boundaries, or the national mobility of goods, services, capital or labour.

9. ADMINISTRATION OF DEVELOPMENT CHARGES

9.1 A developer is liable for the payment of a DC once this has been specified by the municipality as a condition for the approval of a development application.

9.2 The municipality shall not impose a DC prior to the formal submission of a land development application by a developer.

9.3 The DC will be payable by the developer in full before development of the land takes place, provided that the municipality may agree to payment terms with a developer in accordance with its bylaws. Each payment must be paid into the correct DC fund and will be made as follows:

9.3.1 In the case of subdivision of land, prior to the issuing of a subdivision clearance certificate which would allow transfer of first unit unless the conditions of approval indicate otherwise.

9.3.2 In the case of an application where no subdivision is required and where the intended development requires approval of a building plan, prior to approval of building plans unless the conditions of approval indicate otherwise.

9.3.3 In the case of any application where no subdivision clearance or subsequent building plan approval is required, prior to commencement of any activity on site pursuant to the application.

9.3.4 The municipality may withhold any approval or clearance in terms of planning or building control legislation where a developer has not complied with his or her DC liability.

9.3.5 Where the development entails subdivision of land, no transfer or registration of a CRT may be concluded of any portion of land until the DC has been paid.

9.3.6 Where there is no transfer, the municipality must withhold both building plan approval and the certificate of occupation until the DC has been paid.

9.3.7 In the event that a developer proceeds with exercising his or her rights without paying the DC in accordance with the applicable conditions of approval no subsequent transfer of that erf, or registration of a CRT, may be processed or approved until the applicable DC has been paid.

9.3.8 In all cases where a DC arises the municipality must impose a condition that confirms that the land use becomes unlawful on account of non-payment of the DC, thereby enabling the municipality to invoke its enforcement measures appropriate to an unlawful land use.

9.3.9 In large and/or complex projects the municipality may approve a development in phases thereby allowing DC to be paid on commencement of each approved phase.

9.3.10 Where external engineering services are provided in lieu of DC by the developer, the municipality may agree to delayed payment of a DC, provided that a services agreement between the municipality and the developer is signed and a written guarantee from a

registered financial services provider is provided by the developer to cover any risk to the municipality that this arrangement may entail.

9.3.11 The detailed roles and responsibilities for the provision of infrastructure in lieu of DC's must be set out in a separate services agreement, but the key aspects related to timing of payments as well as the amount(s) to be paid must be reflected clearly in the conditions of approval.

9.4 The municipality may enforce payment of a DC through withholding of any approval or clearance that it has the authority to issue in terms of any other legislation, and for this purpose:

9.4.1 This policy framework and associated regulations shall be considered to be an applicable legal instrument in terms of section 7(1) (a) of the National Building Regulations and Standards Act (No 103 of 1977 as amended) and no certificate of occupancy referred to in section 14 of that Act shall be issued until all DC liabilities associated with a property have been paid in full.

9.4.2 A DC shall be considered as a municipal service fee in terms of section 118 of the Municipal Systems Act (no. 32 of 2000, as amended) and subject to the credit control measures contained therein.

9.5 All payments for DC's will be recognised as revenue by the municipality on the basis of prevailing accounting practices and must be:

9.5.1 Presented in its financial statements as deferred income that is recognised on a systematic basis and rationale basis over the useful life of the asset.

9.5.2 Transferred through a Statement of Changes in Nett Assets to a dedicated DC's Fund.

9.5.3 Held in a dedicated bank account to ensure that the DC's fund is backed by cash.

9.6 The DC's Fund must be reported on annually.

10. INFRASTRUCTURE IN-LIEU OF A DEVELOPMENT CHARGE

10.1 A developer may by agreement with the municipality install bulk engineering services *in lieu* of DC's.

10.2 Where a developer installs bulk engineering services or transfers land in accordance with he or she may deduct the cost of the infrastructure installed from the DC's for that particular development, provided that:

10.2.1 The infrastructure to be installed is to the standard required by the municipality.

10.2.2 The infrastructure to be installed is located within the same municipal district in which the development is situated.

10.2.3 A written services agreement is entered into, which specifies the infrastructure to be provided in lieu of DC's, the standards to which the infrastructure is to be built, the cost of the infrastructure and the assets to be transferred to the municipality.

10.2.4 The services agreement is signed by the developer and the municipality prior to the commencement of any works to be provided in lieu of DC's.

10.2.5 The actual implementation programme and anticipated transfer date is recorded;

10.2.6 In relation to the procurement by a developer of a service provider, or service providers to build and install the infrastructure specified in the services agreement, the following requirements apply:

10.2.6.1 The developer must follow a fair, equitable, transparent and competitive process of calling for bids from infrastructure providers and appoint the bidder offering the most cost-effective bid.

10.2.6.2 A record of the procurement process and award must be appended to the services agreement.

10.2.6.3 The municipality reserves the right to participate as an observer in the deliberations on bids received by the developer in order to check that the decision-making process is fair and a rational selection is made.

10.2.6.4 Accurate records of payment are to be kept by the developer to verify final payment certificates.

10.2.6.5 The municipality may have access to all relevant records relating to the construction process, including not only records relating to the procurement process, but also the contractual documentation, notices, invoices, progress reports and other records.

10.2.6.6 The municipality may impose other appropriate safeguards on a case-by-case basis.

10.2.7 The infrastructure installed and the land on which it is situated are both formally transferred to and received by the municipality or the required agreements are made to ensure that the municipality has access to the infrastructure if it does not fall on municipal land, which may include the registration of a servitude in favour of the municipality.

10.3 The final value of the assets transferred, as reflected in payment certificates, must be reconciled with the original DC's liability and any balance due by the developer must be paid in full.

10.4 Where the developer installs external infrastructure of a higher value than the DC liability, the developer may offset the additional amount against his or her liability for DC's incurred under subsequent phases of the same development. The Municipality must verify that the additional infrastructure is necessary for the integrated and efficient development of the infrastructure network

11. GENERAL MATTERS

11.1 The municipality will comply with the following in its annual report:

11.1.1 Disclose information on DC's levied and received by impact zone and infrastructure service;

11.1.2 Disclose information on the proportion of payments made in cash or in in-kind;

11.1.3 Disclose information on all subsidies or exemptions provided in respect of DC's;

11.1.4 Disclose information on all surcharges levied;

11.1.5 Present information on payments received as a proportion of the value of buildings completed; and

11.1.6 Certify that funds expended have been utilised for their intended purpose

12. RESPONSIBILITIES

12.1 In order to assist with the clarification of roles between departments at the municipality, a high-level process has been developed and included in **Appendix C** of this policy.

12.2 The process aligns with the municipal delegation framework approved by the Council in terms of council minute E123-08/2015.

DOCUMENT AND VERSION CONTROL

Date: **May 2020**

Summary: This document describes the Development Charges policy that will be applicable to the Mossel Bay Municipality, with effect from

1 July 2020

Signature: ……. Date: 28/05/2020
Municipal Manager
(Accounting Officer)

Signature: ……. Date: 28/05/2020
Executive Mayor

APPENDIX A: COST COMPONENTS OF A DEVELOPMENT CHARGE

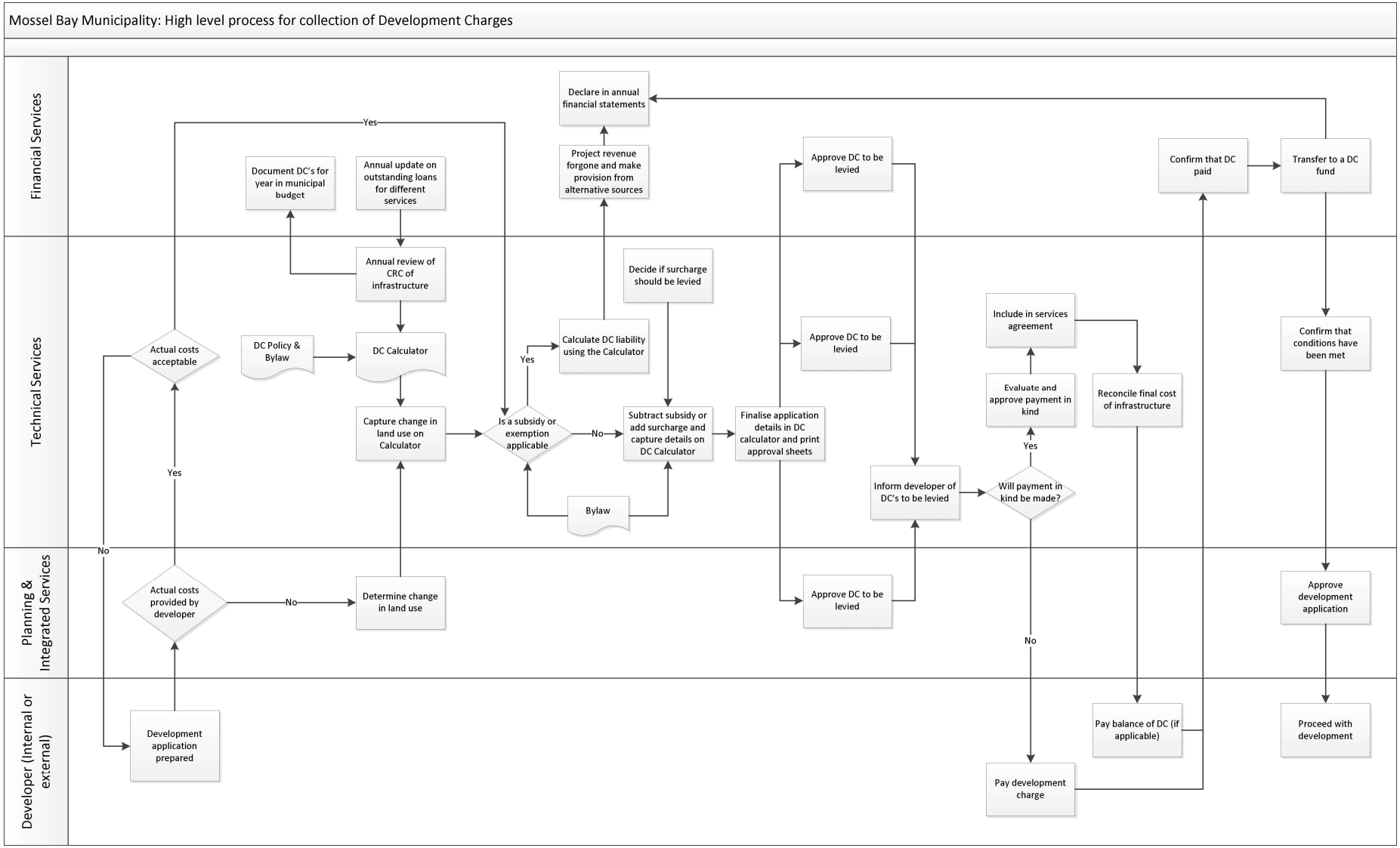
Sector	Extent of costs
Water (to the extent provided by municipality)	The proportionate share of capacity or increase in size of the municipal network to accommodate the needs of the new development, including: • Link services outside the development site required to connect it to the existing municipal network. • Share of capacity of reticulation outside the development, in the event of a smaller development. • Share of capacity of the mains supply or the proportionate cost of additional capacity. • The proportionate reservoir, water tower and pump station capacity required for the new development, or the proportionate cost of additional capacity. • The proportionate cost of capacity of water treatment works or the proportionate cost of additional capacity, where these are owned by the municipality.
Sewerage (to the extent provided by municipality)	The proportionate share of capacity or increase in size or capacity of the sewer network to accommodate the needs of the new development, including: • Link infrastructure to connect the new development to the existing municipal network. • Share of cost of existing pump capacity or the proportionate cost of additional capacity. • The proportionate cost of capacity of outfall sewers or the proportionate cost of additional capacity. • Consumption of a share of existing wastewater treatment capacity, or the cost of creating additional capacity at such a facility, where these are owned by the municipality.
Electricity (to the extent provided by municipality)	• Link infrastructure to connect the new development to the existing municipal network. • The additional capacity in the municipal electrical supply network. Note that a large consumer would, however, simply tap into an appropriately sized component, and will not link vertically into the system. Costs are then limited to the link infrastructure and any proportionate share of capital cost of the component, based on % capacity consumed. • The proportionate increase in size or capacity of transformer stations and substations. • The additional capacity of main transmission lines to transformer stations and substations.
Roads (to the extent provided by municipality)	Contributions to 'Basic road services' are based on: • A capacity component aimed at providing for the required road space which is needed on external roads for trips on external roads by customers in the new development (or visitors) • A strength component to allow for additional heavy vehicles that will be using the external roads as a result of the new development. In addition: • Contributions are required to the cost of boundary roads for class 4 or 5 roads at or on the development boundary, with or without direct access, which will be used by customers in the new development. • Contributions may also be required for junctions or connections to roads, and for road widening required as a result of the development and can include land, traffic control devices, traffic signs and additional lighting.

Solid waste (to the extent provided by municipality)	• The land acquisition (additional airspace) of refuse transit and landfill sites, assuming that such doesn't exist to service the development – otherwise a portion of the capital cost of the facility based on the capacity required by the development.
All services (to the extent provided by municipality)	• The proportionate cost of land or servitudes of existing infrastructure or the cost thereof to establish new infrastructure as a result of the development

APPENDIX B: FUTURE IMPACT PER LAND USE

Land Use	Unit	Water	Sewerage	Roads	Stormwater	Solid Waste
		kl/day (AADD)	kl/day (ADDWF)	Trips/day	ha*C	kg/day
Single Residential > 1000m² Erf	Dwelling unit	1.000	0.5000	4.000	0.06750	7.630
Single Residential > 650m² Erf	Dwelling unit	0.900	0.5000	3.800	0.04875	7.430
Single Residential > 350m² Erf	Dwelling unit	0.700	0.4500	3.600	0.03485	6.600
Single Residential < 350m² Erf	Dwelling unit	0.500	0.4000	3.500	0.01843	6.600
State Funded Housing	Dwelling unit	0.400	0.3500	0.375	0.00780	4.650
GAP/Affordable Housing	Dwelling unit	0.400	0.3500	0.750	0.01463	2.110
Group Housing	Dwelling unit	0.500	0.4000	3.188	0.02646	6.600
Flat	Dwelling unit	0.320	0.3000	2.750	0.00948	7.070
Second/ Additional Dwelling/Granny Flat	Dwelling unit	0.320	0.1600	2.000	0.01296	5.860
Rural / Undetermined / Agricultural	Dwelling unit	1.000	0.5000	4.000	0.06750	7.630
Rural Intensification / Agri-subdivisions	Dwelling unit	1.000	0.5000	4.000	0.06750	7.630
Hotel	Rooms	0.150	0.1350	2.438	0.00203	0.790
	m^2 GLA	0.004	0.0036	0.093	0.00013	0.030
Accommodation Establishments	Rooms	0.150	0.1350	2.250	0.00504	0.790
	m^2 GLA	0.004	0.0036	0.093	0.00016	0.030
General Business	m^2 GLA	0.004	0.0036	0.137	0.00028	0.030
Office	m^2 GLA	0.004	0.0036	0.093	0.00013	0.030
Retail/Shop	m^2 GLA	0.004	0.0032	0.190	0.00028	0.030
Warehouse	m^2 GLA	0.004	0.0032	0.030	0.00014	0.030
Industrial	m^2 GLA	0.004	0.0032	0.060	0.00014	0.030
Early Childhood Development Centres / Home Child Care	Learner	0.110	0.0400	0.800	0.00057	0.790
	m^2 GLA	0.004	0.0036	0.093	0.00013	0.030
Universities / Schools	Learner	0.110	0.0400	1.000	0.00054	0.790
	m^2 GLA	0.004	0.0036	0.093	0.00009	0.030
Care / Accommodation (Hospitals, Clinics, Old age home)	Bed	0.110	0.0990	2.250	0.00056	2.000
	m^2 GLA	0.004	0.0036	0.093	0.00012	0.030
Office/ Consulting rooms (welfare offices, clinics, hospitals & environmental facilities)	m^2 GLA	0.004	0.0032	0.267	0.00014	0.030
Meeting Places (places of assembly, place of worship)	m^2 GLA	0.004	0.0032	0.093	0.00014	0.030
Open Spaces / Public Open Spaces	m²	0.000	0.0000	0.000	0.00003	0.000

APPENDIX C: HIGH-LEVEL DEVELOPMENT CHARGE PROCESS


Mossel Bay Municipality: High level process for collection of Development Charges
Financial Services
Technical Services
Planning & Integrated Services
Developer (Internal or external)
Declare in annual financial statements
Project revenue forgone and make provision from alternative sources
Approve DC to be levied
Confirm that DC paid
Transfer to a DC fund
Document DC's for year in municipal budget
Annual update on outstanding loans for different services
Yes
Annual review of CRC of infrastructure
Decide if surcharge should be levied
Include in services agreement
Confirm that conditions have been met
Actual costs acceptable
DC Policy & Bylaw
DC Calculator
Calculate DC liability using the Calculator
Approve DC to be levied
Evaluate and approve payment in kind
Reconcile final cost of infrastructure
Capture change in land use on Calculator
Is a subsidy or exemption applicable
Yes
No
Subtract subsidy or add surcharge and capture details on DC Calculator
Finalise application details in DC calculator and print approval sheets
Inform developer of DC's to be levied
Will payment in kind be made?
Yes
Bylaw
No
Actual costs provided by developer
No
Determine change in land use
Approve DC to be levied
Approve development application
Development application prepared
Pay balance of DC (if applicable)
Proceed with development
Pay development charge